



MINUTES

LAFCO REGULAR MEETING

Wednesday, July 14, 2004, 9:00 a.m.

Planning Commission Hearing Room, Hall of Administration
10 Civic Center Plaza, Santa Ana

(Any member of the public may request to speak on any agenda item at the time that item is being considered by the Commission.)

1. CALL TO ORDER

Vice Chair Susan Wilson called the regular meeting of the Local Agency Formation Commission (LAFCO) to order at 9:02 a.m.

2. PLEDGE OF ALLEGIANCE

Commissioner John Withers led the pledge of allegiance.

3. ROLL CALL

The following commissioners and alternates were present:

- **Commissioner Robert Bouer**
- **Commissioner Peter Herzog**
- **Commissioner Arlene Schafer**
- **Commissioner Susan Wilson**
- **Commissioner John Withers**
- **Alternate Commissioner Patsy Marshall**
- **Alternate Commissioner Rhonda McCune**
- **Alternate Commissioner Charley Wilson**

The following LAFCO staff members were present:

- General Counsel Clark Alsop
- Acting Executive Officer Bob Aldrich
- Senior Project Manager Ken Lee
- Policy Analyst Carolyn Emery
- Policy Analyst Kim Koeppen
- Communications Analyst Danielle Ball

4. OATH OF OFFICE FOR COMMISSIONERS ROBERT BOUER, PATSY MARSHALL, AND ARLENE SCHAFER

Communications Analyst Danielle Ball administered the oath of office to newly (re)elected **Commissioners Robert Bouer, Patsy Marshall, and Arlene Schafer.**

5. APPROVAL OF MINUTES

a.) June 9, 2004 – Regular Commission Meeting

MOTION: Approve minutes from June 9, 2004 without revision (Arlene Schafer)
SECOND: Peter Herzog
FOR: Robert Bouer, Peter Herzog, Arlene Schafer, Susan Wilson, John Withers
AGAINST: None
ABSTAIN: None
MOTION PASSED

6. PUBLIC COMMENT

Vice Chair S. Wilson requested public comments on any non-agenda item. Receiving no response, she closed the public comment agenda item without any comments from the public.

7. CONSENT CALENDAR

a.) Legislative Report

MOTION: Approve the consent calendar (Peter Herzog)
SECOND: Arlene Schafer
FOR: Robert Bouer, Peter Herzog, Arlene Schafer, Susan Wilson, John Withers
AGAINST: None
ABSTAIN: None
MOTION PASSED

8. PUBLIC HEARING

a.) Planning Area 6 Annexation to the City of Irvine (CA 04-04)

b.) North-Central Islands Annexation to the City of Anaheim (IA 04-08)

8a. Policy Analyst Kim Koeppen presented an overview of the staff report for the Planning Area 6 Annexation to the City of Irvine, a proposal continued from the June

2004 LAFCO meeting. She indicated that the territory contained in planning area 6 is part of the City of Irvine's northern sphere project area, as were planning areas 8A, 9A, and 40, all annexed to the city with the Commission's approval in 2003.

Ms. Koeppen called the Commission's attention to a letter from a commissioner outlining comments and concerns about this project subject to CEQA. She indicated that the issues presented in the letter were not timely and were outside the potential impacts of the Commission's actions today. She recommended that the Commission approve the annexation subject to the terms and conditions outlined in the staff report and authorize the Executive Officer to conduct protest proceedings within the legal timeframe of 21-30 days.

Commissioner C. Wilson exited the Commission meeting during the staff presentation and the Commission's discussion of agenda item 8a.

Commissioner Herzog inquired about the protest proceedings. Ms. Koeppen responded that, while The Irvine Company is the major property owner in planning area 6, the territory is held by multiple property owners, including both individual and agency property owners—a fact that made it cumbersome to get 100% property owner consent for the proposal and therefore necessitated the Commission's public hearing and protest proceedings.

Vice Chair S. Wilson opened the public hearing on agenda item 8a, requesting comments from the public. Receiving no response, she closed the public hearing to entertain motions from the Commission.

MOTION: **Approve the Planning Area 6 Annexation to the City of Irvine (CA 04-04) per the recommendations outlined in the staff report and authorize the Executive Officer to conduct protest proceedings within the legal timeframe (Peter Herzog)**
SECOND: **John Withers**
FOR: **Robert Bouer, Peter Herzog, Arlene Schafer, Susan Wilson, John Withers**
AGAINST: **None**
ABSTAIN: **None**
MOTION PASSED

Commissioner C. Wilson returned to the Commission meeting following the Commission's vote on agenda item 8a.

- 8b.** Policy Analyst Kim Koeppen presented an overview of the staff report for the North-Central Islands Annexation to the City of Anaheim. She indicated that the City of Anaheim's annexation proposal pertained to four non-contiguous territories referenced as islands # 1, 2, 3 and 5, which collectively comprise approximately 70

acres with 549 total residents. She said that two of the four islands are completely built out with residential uses, another with open space and industrial uses, and the remaining island with commercial property. She also summarized the changes/improvements to municipal services and cost savings the island residents would experience upon annexation to the City of Anaheim.

Ms. Koeppen said that the project exemplified solid collaboration and community outreach involving the City of Anaheim, the County, and LAFCO, as well as strong interest and participation by the islands residents.

Commissioner Bill Campbell entered the Commission meeting during Ms. Koeppen's presentation of the staff report for agenda item 8b.

Commissioner Bouer asked if any of the islands' residents had expressed opposition to the annexation. Ms. Koeppen responded that staff had engaged the residents in a series of three outreach meetings to clarify the annexation process and address the residents' concerns. She said that the residents were mostly satisfied by the conclusion of the third meeting. She also thanked the City of Anaheim's staff for participating in the outreach meetings, a factor that helped establish trust and build a collaborative relationship between the city and residents.

Vice Chair S. Wilson thanked staff for its diligence and excellence. She then opened the public hearing on agenda item 8b, requesting comments from the public. Receiving no response, she closed the public hearing to entertain motions from the Commission.

MOTION: Approve the North-Central Islands Annexation to the City of Anaheim (IA 04-08) per the staff recommendations and subject to the terms and conditions outlined in the staff report (Bill Campbell)
SECOND: Robert Bouer
FOR: Robert Bouer, Bill Campbell, Peter Herzog, Arlene Schafer, Susan Wilson, John Withers
AGAINST: None
ABSTAIN: None
MOTION PASSED

Commissioner Withers asked if any islands remained unincorporated within the City of Anaheim's sphere of influence. Ms. Koeppen stated that the city has two remaining islands, both over 75-acres in size and therefore considered large islands. She indicated that the City of Anaheim will submit an application to annex one of the two islands—the uninhabited one—within the next few months. The fate of the inhabited island, she stated, was unknown, as annexation efforts would require a significant amount of community outreach to build consensus.

Vice Chair S. Wilson asked for the population of the inhabited island. Candy Haggard, from the County Executive Office, responded from the audience, stating that approximately 7,779 residents reside in Anaheim's large, inhabited island.

9. COMMISSION DISCUSSION

- a.) Contractual Agreement – County Services and Office Leasing
- b.) Contractual Agreement – Alcock & McFadden, Inc.
- c.) Mid-Year Strategic Plan Update
- d.) CALAFCO Awards & Executive Board Nominations

- 9a.** Acting Executive Officer Bob Aldrich presented the draft amended County/LAFCO services agreement for the Commission's review and consideration. Mr. Aldrich stated that the establishment of an independent accounting system as recommended by the Commission's fiscal consultants at the conclusion of LAFCO's first independent audit in 2003 was a natural evolution of AB 2838, the State law making all LAFCOs independent public agencies. He explained the benefits of migrating to an independent accounting system, including improved cost accounting and a streamlined billing system.

Mr. Aldrich said that the amended agreement would redefine the service relationship between LAFCO and the County by: 1) terminating certain banking and accounting services, fully separating LAFCO from the County's general accounting program and allowing LAFCO to establish an independent accounting system for its operations; 2) eliminating other unneeded County services; and 3) establishing a new lease for LAFCO's office space. He clarified that the Auditor-Controller would continue collecting the city, County, and special districts' annual fee allocations for LAFCO.

Mr. Aldrich specified that he had two revisions to make to the draft lease attached to the staff report. He said that an updated office floorplan, which more accurately reflected the office space, had been provided to the Commission to substitute for the floorplan provided in the staff report. He also stated that the reference to the "Local Area Formation Commission" on page 15 of the draft contract should be corrected to read "Local Agency Formation Commission."

Commissioner McCune asked for the square footage of LAFCO's current office space. Mr. Aldrich responded that the LAFCO office encompasses approximately 2,200 square feet.

Commissioner Schafer asked for clarification on the next step in executing the Commission's County services agreement. Mr. Aldrich replied that the Board of Supervisors would consider ratification of the amended County services agreement at one of its August 2004 meetings.

Commissioner Withers asked if the newly amended lease agreement would result in increased costs to LAFCO. Mr. Aldrich stated that under the terms of the amended lease agreement LAFCO would be paying slightly less than it had previously.

MOTION: Approve amended County services and lease agreements, with revisions as discussed, and authorize Acting Executive Officer to execute lease on the Commission's behalf (Arlene Schafer)
SECOND: Bill Campbell
FOR: Robert Bouer, Bill Campbell, Peter Herzog, Arlene Schafer, Susan Wilson, John Withers
AGAINST: None
ABSTAIN: None
MOTION PASSED

- 9b.** Acting Executive Officer Bob Aldrich presented a draft agreement with Alcock & McFadden, Inc. for the continued provision of general human resources services for LAFCO. He stated that funds for the existing contract, approved by the Commission in September 2001, had been exhausted over the past three years, necessitating a renewed contractual agreement.

Commissioner Marshall asked for clarification on the contract's workers' compensation clause. She indicated that many cities have opted to increase their insurance coverage to protect volunteers and board members while on city business and suggested that the County consider the increased coverage to avoid potential lawsuits.

Legal Counsel Clark Alsop commented that, as an independent contractor, Alcock & McFadden, Inc. would be responsible for its own workers' compensation insurance coverage.

Commissioner Marshall clarified that her comments actually pertained to agenda item 9a and apologized to her fellow commissioners for the confusion.

Commissioner Campbell thanked **Commissioner Marshall** for the excellent idea, stating that he would have his staff follow-up with her suggestion.

MOTION: Approve the contractual agreement with Alcock & McFadden, Inc. for the provision of general human resources services (Peter Herzog)
SECOND: Arlene Schafer
FOR: Robert Bouer, Bill Campbell, Peter Herzog, Arlene Schafer, Susan Wilson, John Withers
AGAINST: None

ABSTAIN: None

MOTION PASSED

- 9c.** Acting Executive Officer Bob Aldrich called the Commission's attention to the annotated 2004 Work Plan, provided as attachment 1 to the staff report, which summarized the status of key LAFCO projects as of July 2004. He introduced Senior Project Manager Ken Lee to provide a detailed Municipal Service Review (MSR) Program update.

Senior Project Manager Ken Lee provided a brief overview of the Commission's MSR Program as outlined in the written staff report provided to the Commission. He said that state law mandates that LAFCO review and update spheres of influence for every agency in the County once every five years—which equates to sphere updates for over 60 cities and special districts in Orange County. He described Orange County LAFCO's innovative approach to conducting the MSRs by focus areas throughout the County, which will enable the Commission to make the required nine determinations by region and update the spheres of every agency within a given focus area simultaneously as opposed to individually.

Mr. Lee explained that the Commission's adopted approach went beyond the statutory requirements of the law, and he described the Commission's guiding principles as well as its desired outcomes. He said that the Commission had designed a consistent MSR process, a model to be implemented in each individual focus area. He stated that the MSR process was initiated using two distinct prototypes, which would allow the Commission to evaluate the process—and to revise/refine it, if necessary—before implementing the program elsewhere in the County over the next five years.

Mr. Lee described the stakeholder-driven process model designed by the Commission's MSR oversight committee (**Vice Chair S. Wilson** and **Commissioners Herzog, Withers, and C. Wilson**), which brings together affected agencies, LAFCO, and the public to engage in a collaborative forum to develop a 20-year vision plan for addressing future governance, service, and infrastructure challenges within a given focus area. He said that the prototype design includes a series of ten stakeholder working group meetings spaced approximately three weeks apart. The meetings series, he said, guides the stakeholders to collectively brainstorm and: 1) identify alternative strategies, solutions, and plans to address future challenges; and 2) identify future opportunities for agencies to plan and work together.

Vice Chair S. Wilson asked if any other LAFCOs had adopted a similar approach to addressing MSRs. Mr. Lee responded that some LAFCOs are addressing MSRs by region, but, to his knowledge, no other LAFCO had been ambitious enough to convene a stakeholder working group to assist with and participate in the process. He

said that staff's major objective was to make the process valuable to the stakeholders themselves, as they will ultimately be responsible for future service provision. He added that there is no other regional forum facilitating these types of collaborative dialogues. He also indicated that the 20-year vision plans will be stakeholder-drive documents that also serve as a planning and policy tool, setting a foundation for the Commission to make its required nine determinations.

Commissioner Schafer asked if the stakeholder working group meeting series for future focus areas would be structured similarly to the current meeting series. Mr. Lee responded that the Commission would determine the effectiveness of the current process at the conclusion of the two MSR prototypes and, if necessary, make modifications to the meeting format and/or working group composition.

Policy Analyst Carolyn Emery provided an MSR update for the Los Alamitos / Seal Beach / Rossmoor / Sunset Beach MSR focus area. She began by describing the physical boundaries of the prototype area and by listing the members of the stakeholder working group. She said that the working group had engaged in five very productive meetings to date and that she anticipated five or six additional meetings would convene in the coming months. She also presented the working group's purpose statement.

Ms. Emery stated that the stakeholder working group had engaged in a difficult quality of life discussion and identified both tangible and intangible things most valued by the agencies and communities—a list which included maintaining a small town feel, safety within their communities, fiscal viability, and well-maintained communities and public service agencies. LAFCO staff, she said, then collected baseline data for the area and built an extensive databank containing current trending demographic data related to municipal service delivery, which will be useful to the group in identifying current and future challenges as well as for studying potential alternatives for the area and the development of a 20-year vision plan.

Ms. Emery said that the working group had defined its key issues/challenges as 1) the long-term fiscal viability of agencies within the focus area and 2) governance. She stated that, among other things, the group recognizes that it is costly and inefficient for the County to continue providing municipal services to the unincorporated communities of Sunset Beach and Rossmoor. She said that the working group's next steps would be to help identify potential alternatives for the area. To that end, she said, staff hired an independent consultant, Economic Planning Systems (EPS), to assist staff in preparing a preliminary, high-level analysis of the alternatives identified by the working group and any other potential alternatives identified by staff and EPS. She said that the analysis should be completed and presented to the stakeholder working group next month. She added that staff anticipates that the final 20-year vision plan and MSR staff report will be presented to Commission in November or December of this year.

In response to a question posed by **Commissioner Schafer**, Ms. Emery stated that the working groups do not include delegates from the business community, but she indicated that the meetings are open to the public. She further added that meeting minutes are posted to the MSR section of LAFCO's website. Mr. Lee interjected that staff had to limit the size of the working groups for managability.

Trudy Ohlig-Hall suggested from the audience that notices to the meetings could be published by other means for greater visibility and to inspire community involvement.

Vice Chair S. Wilson thanked Ms. Hall for the suggestion and further praised staff for its tireless efforts. She said that, though the process remains "under the radar," the MSR Program is helping disparate agencies build relationships and encouraging them to go beyond territoriality to create mutually beneficial solutions and a brighter future for Orange County.

Policy Analyst Kim Koeppen provided an MSR update for the Orange / Villa Park / Orange Sphere of Influence MSR focus area. She began by listing the 17 working group members, which include representatives from two cities, six special districts, five public members from community entities, the County of Orange, and LAFCO. She described the prototype area's physical boundaries, indicating that it is split with a large urban area on one half and a large unincorporated, mostly undeveloped canyon area on the other, and a new planned community proposed for development right in the middle.

Ms. Koeppen presented the purpose statement adopted by the stakeholder working group, saying that it helped cement them as a group. She said that the group had since engaged in a brainstorming dialogue, identifying the area's current municipal service, infrastructure, and governance issues and then streamlining those myriad issues to eight major macro issues of importance. She said that LAFCO staff together with a data consultant presented a significant volume of trending data and information related to the eight macro issues. She further noted that the trending data inspired the working group to highlight four key issues from the original eight macro issues that had value for the group as they considered future governance, service delivery, and infrastructure challenges. The four key issues designated for more focused discussion in the brainstorming committees, she said, were: 1) County unincorporated area governance and fiscal; 2) septic conversion to sewer; 3) open space and recreation; and 4) water, wastewater, and urban runoff.

Ms. Koeppen stated that the four small subgroups, referred to as brainstorming committees, were formed, each to address one of the key issue categories identified by the stakeholder working group. She added that some members of the stakeholder working group took on a leadership role by agreeing to facilitate two of the four brainstorm committees. She said that the brainstorming committees hope to achieve

two main objectives for each of the key issues under exploration: 1) define future challenges in terms of governance, service delivery, and infrastructure; and 2) brainstorm all the options, alternatives, strategies, and plans to address those challenges. She added that the future challenges and strategies would be the framework for the working group's 20-year vision plan. She said that full reports from the brainstorming committees are due to be presented to the stakeholder working group in August, after which LAFCO staff will begin drafting the 20-year vision plan for the group's review in September. The final vision plan document, she said, should be completed by October or November of this year. She further stated that staff will likely present a full MSR report with the nine determinations to the Commission by the end of the year.

Commissioner Campbell complimented staff for its diligence, indicating that he receives far less calls from members of the stakeholder working group as this MSR prototype has progressed.

Commissioner Bouer reminisced about the Commission's first meeting with the resident group from unincorporated Rossmoor, recalling how much distrust the residents held towards LAFCO. He said that staff had become like ambassadors, making LAFCO an agency to facilitate collaboration and change attitudes, giving residents and agencies a choice about their destinies rather than forcing change.

Commissioner McCune commented that her aunt lives in Rossmoor. She said that, while many of the residents in Rossmoor don't care whether or not the area is annexed to one of the cities, there is a very vocal, organized group of activists within the community often persuade other residents through different tactics. She further inquired whether unincorporated Sunset Beach feels more closely aligned with the City of Seal Beach or Huntington Beach.

Commissioner Campbell left the Commission meeting during **Commissioner McCune's** comments.

Ms. Emery stated that Sunset Beach residents generally do not feel affiliated with either city. She indicated that the Sunset Beach's public member representative is actively engaged in the working group process and added that members of the Sunset Beach Association meet with Supervisor Silva on a regular basis.

Mr. Lee pointed to historical reasons why Rossmoor and Sunset Beach remain outside of any agencies' sphere of influence, indicating that neither community feels an affinity for a particular incorporated city. He said that building trust and relationships between agencies and with LAFCO has been one of the biggest challenges in initiating each of the MSR prototypes, as well as the MSR program as a whole.

Commissioner Withers stated that, while the Commission and staff is off to a good start, the “heavy lifting” is yet to come. He said that the Los Alamitos / Seal Beach / Rossmoor / Sunset Beach MSR focus area involves a collection of small communities and cities whose future viability is questionable due to a limited tax base. He added that the Orange / Villa Park / Orange Sphere of Influence MSR focus area encompasses concerns on how to best serve the future development in east Orange, a discussion that may very well lead to an update or streamlining of antiquated district boundaries. He stated that some of the more viable options/solutions available to these agencies and communities would require a tremendous leap of faith and a certain amount of sacrifice. He said that the Commission would have to carefully deliberate how it will involve itself.

Mr. Lee commented that staff has tried to create an atmosphere for dialogue without risk. He said that, while there may be no need for change today, the agencies and communities might feel differently five or ten years from now. He said that staff has attempted to depoliticize the discussion by emphasizing that the alternatives are just alternatives, though staff wants to list as many alternatives as possible. He added that, as LAFCO staff brings the 20-year vision plans to the Commission with its recommendations about determinations and spheres, the stakeholders themselves will take the vision plans and alternatives back to their councils and boards, who may or may not agree with some or all of the alternatives.

Vice Chair S. Wilson indicated that the MSR program ties in with the challenges addressed at the three annual Orange County Leadership Symposiums, stating that it takes a lot of courage to make such tough, and sometimes unpopular, decisions.

Commissioner Withers said that he found encouraging the number of sidebar conversations and meetings that have been inspired outside of the MSR process. He said that he anticipates that the Commission will be put in the role of making the really difficult decisions about the future infrastructure and governance needs for the prototype areas.

Commissioner Schafer commended staff. She said that she was surprised how diverse the concerns are per each of the regions.

Commissioner Herzog said that the MSR program is only part of the bigger picture, calling the Commission’s attention to the need for a new communities policy, which requires closure by the end of the year. With the imminent development of Rancho Mission Viejo, he said, a governance structure needs to be set before the people begin moving in.

Mr. Aldrich commented that former Executive Officer, Dana Smith, was heavily involved in the Ranch’s SCORE process. He said that staff has reinitiated the

dialogue with the Ranch by engaging in a couple meetings with the Ranch in recent months. He added that staff had a tour of the area only two weeks ago.

MOTION: **Receive and file the entire mid-year strategic plan update (Arlene Schafer)**
SECOND: **Peter Herzog**
FOR: **Robert Bouer, Bill Campbell, Peter Herzog, Arlene Schafer, Susan Wilson, John Withers**
AGAINST: **None**
ABSTAIN: **None**
MOTION PASSED

- 9d.** Communications Analyst Danielle Ball invited the Commission's nominations for the CALAFCO achievement awards.

Ms. Ball added that she hadn't received indication that any of the commissioners were interested in running for a seat on the CALAFCO Board of Directors. She stated that, if anyone was interested, the Commission could nominate him/her to run for a seat. She further mentioned that CALAFCO allows nominations from the floor.

Commissioner Withers commented that fellow **Commissioner Herzog** currently serves on the CALAFCO Board of Directors.

Vice Chair S. Wilson commended staff, particularly Ms. Ball, for its efforts in planning the upcoming CALAFCO annual conference in September.

10. COMMISSIONER COMMENTS

Vice Chair S. Wilson opened commissioner comments, announcing that Senior Project Manager Ken Lee had resigned from LAFCO staff to pursue an excellent professional opportunity with the City of Chula Vista.

Mr. Lee commented that he holds the Commission in the highest esteem. He thanked the Commission for its support and made a brief farewell statement, congratulating the Commission on the visionary leadership it consistently exhibited during his tenure at LAFCO.

Commissioner Herzog commended Mr. Lee for his significant contributions, not only to the Orange County LAFCO but to CALAFCO as well, and wished Mr. Lee the best of luck on behalf of the entire Commission.

11. INFORMATIONAL ITEMS

None

12. CLOSED SESSION

PUBLIC EMPLOYEE APPOINTMENT
(Section 54957)
Title: Executive Officer

Vice Chair S. Wilson adjourned the regular meeting at 10:25 a.m., and the Commission convened in closed session.

Vice Chair S. Wilson adjourned closed session at 11:01 a.m. and confirmed that there were no reportable actions.

13. ADJOURNMENT

Vice Chair S. Wilson adjourned the meeting at 11:01 a.m.

* * * * *

BOB ALDRICH
Acting Executive Officer
Orange County Local Agency Formation Commission

By: _____
Danielle M. Ball
Commission Clerk